Summary of Postal Privatization in Europe & Key Lessons

Alex Kalevi Dieke, WIK
Rutgers Workshop on Postal Reorganization
Washington, D.C., 6 April 2012
Who is WIK?

- WIK (‘Scientific institute for infrastructure and communication services’)
  - Independent research institute, owned by the German government
  - ~ 40 consultants/researchers
  - 30 years of experience with economic regulation and sector policies
  - Telecommunications, postal and energy markets

- WIK-Consult is a 100% subsidiary of WIK
  - Consultancy specialised in regulated industries, founded in 2001
  - ~ 60% of revenue from customers outside Germany
Corporatization and Privatization in the EU

All EU public operators are corporatized, some are privatized

Corporatization: Transform state post into a company under normal commercial law (usually a plc)

Privatization: Sell equity in state post to third parties (strategic investors or list at stock exchange)

Goals of privatization:
- Enhance profitability and end or limit subsidies
- Promote efficiency of operations
- Enable the post to respond faster to market changes
Privatization of PostNL (Netherlands)

- Corporatization of PTT Post
- Start of Privatization IPO of PTT Post (30%)
- Acquisition & Incorporation of TNT Express (TPG)
- Separation of postal services and telecommunication, and listing of TPG
- Renaming from TPG to TNT
- Full privatisation of TNT (0% gov’t)
- Demerge of TNT Express and PostNL

Revenues (in m EUR)

EBIT (in m EUR)

Employment (headcount)

Privatization of Deutsche Post DHL (Germany)

- Postreform I: Separation of postal services, telecommunication, and financial services
- Postreform II: Corporatization
- Acquisition of DHL and DANZAS
- Start of Privatization IPO of DPAG (29%)
- Government share was reduced gradually, now holds 30.5%

1990
- Last major restructuring of postal operations (’95-’98)
- Postreform III: Start of Liberalization

1995
- 1998
- 2000
- 2008

Graphs:
- Revenues (in m EUR)
- EBIT (in m EUR)
- Employment (headcount)
Privatization of Österreichische Post (Austria)

- **Corporatization Foundation of 'Post und Telekom Austria AG'**
- **Separation of the telecommunication and postal business**
- **Foundation of ‘Österreichische Post AG’**
- **Start of Privatization IPO of ÖPAG (49%)**

1996

- **Start of Liberalization**
- **Last major restructuring of postal operations**

2006

- **Full Market Opening**

2011

- **2012: Government holds 52.8%**

**Graphs:**
- **Revenues (in m EUR)**
- **EBIT (in m EUR)**
- **Employment (FTE*)**

*FTE = Full Time Equivalents*
Privatization of bpost (Belgium)

- **Corporatization of De Post/La Poste**
- **Start of Liberalization**
- **Sale of 44.3% of shares to a consortium of Post Danmark and the British private equity company CVC**
- **Last major restructuring of postal operations**
- **Post Danmark sales all their shares to CVC**
- **Renaming from De Post/La Poste to bpost**
- **2012: Government holds 50% plus 1 share**

**Revenues (in m EUR)**

- **EBIT (in m EUR)**

- **Employment (headcount)**
Effects of Privatization

Effects on post
- Commercial business objectives
- Greater commercial flexibility
  - Financing: Access to capital markets
  - Expand into other products/markets
  - Labor relations like any large enterprise (but not government)
  - Buying: no need to comply with public procurement regulations
- Management motivated better with private sector salaries & bonuses
- Accountability & risk of failure

Effects on government
- Reduced direct control over postal operations
- Concentrate on political objectives for postal legislation, not commercial
- Privatization is opportunity to take stock (and transfer ‘excessive” historical liabilities to government)
- Different role for postal legislation
  - Universal service: ensure all population is served at defined quality standards
  - Price regulation: Control market dominance & possible abuse
European Experience with Privatization

- All privatized posts
  - modernized their operations & network substantially
  - became more profitable
  - sought new business lines
  - maintained universal service (as was required)
  - Reduced employment in core business, but without mandatory redundancies

- Some privatized posts expanded into foreign markets – mixed results (Deutsche Post, TNT)

- Privatized posts stress massive change of corporate culture
  - Clearer service attitude & focus on (large) customers
  - Profit contribution key measure of success on all management levels

- Two models of privatization
  - IPO / list post at stock exchange
  - Strategic investors (pursued by smaller posts)

- Privatization seen as a success in all four countries
Alex Kalevi Dieke
WIK GmbH
Postfach 2000
53588 Bad Honnef
Germany
Tel +49 2224-9225-36
Fax +49 2224-9225-66
email a.dieke@wik.org
www.wik.org